

**Andersen
Professional Standards Group**

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Date: 09/25/2001 02:50 PM
From: Benjamin S. Neuhausen, Chicago 33 W. Monroe, 50 / 72307
Subject: Re: Suggestions on Raptor memos

My only suggestions on the Raptor memos relate to the memo dated March 28, 2000.

1. The only issues in the memo that I recall being consulted on are Issue 4 on EPS implications and the EPS implications at the tail end of Issue 3. Therefore, I suggest that the concluding paragraph note that I was consulted on EPS issues.

2. With respect to the EPS issues in Issue 3, Enron purchased a put. I don't understand how a purchased put option could be dilutive. If it is net share settled, Enron will receive shares from the counterparty when the option is in the money, which is anti-dilutive. If it is physically settled, Enron will deliver shares to the counterparty. Because it is a purchased option, however, Enron would only exercise if the strike price were higher than the current market price at the time of exercise, which again is anti-dilutive.

3. In the discussion of issue 2, I think the memo would be stronger if it explained why the participation of a senior officer of Enron in LJM-Talon does not provide Enron with an ability to exercise significant influence over Talon. Some of the discussion from the December 31, 1999 memo regarding the powers of the Advisory Committee might be incorporated into the March 31 memo.

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